

Testimony of Mark Gage

Before the House Agriculture Subcommittee on
General Farm Commodities and Risk Management

May 20, 2004

Mr. Chairman and Members of the Committee:

My name is Mark Gage from North Dakota, and I am the President of the National Association of Wheat Growers.

I am pleased to have the opportunity to testify before the Committee to present testimony on behalf of the wheat growers of the United States on the Farm Security and Rural Investment Act of 2002.

The National Association of Wheat Growers understands the challenges under which this 2002 farm bill was crafted, and we express our appreciation for a program that has offered stability to the agricultural community as well as to the nation.

The farm bill is, as you well know, not just a program that supports U.S. agriculture. It is a public-private partnership that has accomplished more than most people realize.

The many programs included in the program from nutrition programs conservation, rural development, research are some of the many programs and services taken for granted by the American people. Yes, and among those programs is the commodity title with its safety net. However, the fact that this program draws less than one-half of the program funding is a fact that escapes not only most consumers but many activists as well.

The commodity title of the farm bill provides certainty in the Nation's food supply and more reasonably than on any nation on earth. Consumers may purchase basic food staples, processed foods, prepared meals and meals in restaurants for 10.9 cents of their dollar. Not only is the food supply reasonable but it is safe. In these days of heightened security, the food safety is something that most people take for granted. We have come to appreciate our vulnerability in the importation of energy supplies. The availability of food is even more critical. High quality, low cost food allows our citizens to generate economic growth in other economic sectors, and our farm programs are no small part in ensuring this will continue.

Farmers are by nature, stewards of the land. In some cases, they farm land that has been in their family for generations. Many have, through conservation practices, restored wetlands and grasslands. They have through the use of modern technology, utilized global positioning systems that assisted in precise application of fertilizer and crop protection products. Farmers have developed agricultural practices that have enhanced the environment and resulted in cleaner water. While the economy of scale

has resulted in larger farms, the care of the land has not diminished. Missing from the implementation of this Bill is the Conservation Security Program, which the nation's farmers had also built into their long-range plans. The present scope and the proposed rules bear little resemblance to the carefully written intent of Congress. We believe this CSP, a working and productive land's investment in the future, would be a profitable investment for the citizens of this nation.

All of these benefits have accrued to the American taxpayer for at bargain prices. We have come to realize how little most people understand about the cost of the farm delivery system. While it costs pennies a day_____ based on CBO's estimate of the cost at time of passage, it does not take into consideration that because of market influence the cost of the program is \$15 billion less or 30 per cent lower than that estimate. The carefully crafted commodity title provided support when support was needed.

The wheat industry is supportive of fair and open trade. Fifty percent of U.S. wheat produced is sold abroad. It is through our Cooperator, USW Associates' domestic and overseas offices that consumer relationships are made and enhanced. It is important that trade marketing programs, like the Foreign Market Development (FMD) and Market Access Programs (MAP), which fund these offices and their staff, remain funded at the necessary levels.

Food aid is another area that is important to the wheat industry. Last year, the USDA reported that more than \$4 million metric tons of wheat and wheat products were used for food aid. Title I and Title II programs are not only important to wheat producers as a sale of wheat, but also offer a way for farmers to take an active part in helping the world become a better place. We should not be cutting funding for these programs, but increasing them. Food aid not only reduces hunger, but also makes the world a safer place. Terrorists are bred from starving people who see no hope in their future. By donating food and establishing development projects, U.S. food aid programs provide security to all of us – rich and poor.

The research title of the bill serves as a valuable tool as America's farmers seek to look to the future, and provide a quality product in the marketplace. Research can provide the tools to better control insects, weeds and disease, using new and innovative tools. The tools of research can provide varieties that grow produce when weather conditions are not ideal. The research facilities of our research centers must be funded so that they may continue to find ways in which American production can be improved.

As consumers and farmers struggle with the high cost of fuel, we are mindful of the advantages that accrue to everyone in the research title of the bill that encourages the development of alternative energy sources including ethanol and biomass. We must continue to explore the possibilities of using such sources as wheat straw in the production of energy.

America's farmers have improved their efficiency and the quality of the wheat that they produce. They have embraced technology to become efficient. However, at times weather conditions interfere and neither efficiency nor technology will produce a crop. Farmers must have a safety net through a crop insurance program that will provide an effective risk management tool. The improvements of ARPA (Agricultural Risk Protection Act of 2000) greatly improved crop insurance to the point where ____ of America's farmers depend on crop insurance. There must be ways in which the program is improved so that farmers can purchase more affordable coverage at higher levels and prevent or slow declining Actual Production History (APH) due to consecutive disasters. One way of dealing with the loss of income at the time of a disaster would be the establishment of farm savings accounts.

All of these aspects of the farm bill require adequate funding. The National Association of Wheat Growers believes this Bill is good policy, and we believe it is funded at the lowest possible cost. Just as a farmer would be ill advised to plant less seed than is required, this country would be ill advised to partially fund or partially implement this legislation.

As you well know, Mr. Chairman, there has been a great deal of publicity criticizing the farm bill, indeed, any farm support policy. Much of this criticism is based on inadequate and inaccurate information and flows from an agenda inconsistent with good public policy. We believe that the American people have not had the opportunity to form opinions without the facts. We in the agricultural community must provide the badly needed facts information to defend a program that supports not only producers but supports all of the programs that I have outlined.

In recent days agricultural producers have faced on interesting dilemma. While some have been critical of any policy that adds cost to food, agriculture has been challenged because public policy has made food too cheap. America's farmers stand guilty of providing the foundation commodities for low cost food and we are proud of that fact. We acknowledge and affirm that there must be concern about the issue of obesity, especially in our children. However, the plentiful supply of food that provides the foundation for good nutrition, a source for alternative energy, an opportunity to better balance America's balance of trade, and a way to fulfill humanitarian aid, are opportunities that we must harness rather than condemn.

The National Association of Wheat Growers has worked with other farm groups to develop an initiative we call Home Grown that allows a collective voice to explain the value of the farm bill and tell the story of American agriculture to a population often separated from today's farming by two or more generations.

Mr. Chairman, and all members of this committee, we thank you and your dedicated staff for the long hours and careful thought you give to the future of United States Agriculture. Farm Security and Rural Investment are complicated concepts, but well worth your effort on behalf of America.

Mark Gage Testimony

House Agriculture Committee – May 20

Mid-term review and mark 2nd anniversary of Farm Security and Rural Investment Act of 2002.

- I. The Farm Security and Rural Investment Act of 2002 is a public-private partnership with consumers of America and America's producers of food and fiber. It includes in part:
 - A. Nutrition programs that include food stamps, school food programs, nutrition support for women, infants and children.
 - B. Conservation programs
 - C. Rural Development programs that support the infrastructure of Rural America.
 - D. Trade programs that encourage trade that improves our balance of trade.
 - E. Research programs that encourage human nutrition, promotion of health, development of improved crop varieties, and control of crop disease.
 - F. Commodity programs that provide a safety net for America's producers. This portion of the program draws on just ____% of the total farm bill. In truth, because of the countercyclical portion of the bill, it has spent ____ billion less than allocated.
- II. Of what value is the farm bill to taxpayers?
 - A. Provides certainty in the nation's food supply more reasonably than any other nation on earth. Consumers may purchase basic food staples, processed foods, prepared meals and meals in restaurants, for 10.9 cents on their dollar.
 - B. Issues of security have never been more critical. A safe food supply should be one of America's greatest concerns.
 - C. Encouraged conservation practices that enhance supply of clean air and water.
 - D. Provided food security. We have come to see our vulnerability in the importation of energy supplies. The availability of food is even more critical.
 - E. In fact, it is the research portion of the farm bill that encourages the development of alternative energy sources including ethanol and biomass.
- III. Of what value is a farm bill to farmers?

- A. Farm bills provide a safety net not to guarantee success for farmers, but to guarantee some protection in the event of disastrous market prices.
 - B. Market share does not allow for a reasonable share of the food dollar. In 2002 the value of an acre of production less operating costs was \$48.10. Taking into consideration allocated overhead, the value of production was \$87.46. While commodity prices are high, the cost of fuel and fertilizer cut deeply into value of production. (Refer to cost and returns info and add as an attachment)
- IV. Where do we go from here?
- A. Maintain farm bill. It is a mainstay to both agriculture and America's food policy.
 - B. At times weather conditions interfere and no efficiency or technology will allow for a crop. Farmers must have a safety net through a crop insurance program that will provide an effective risk management tool that acknowledges successive years of crop loss.
 - C. Farmers need tools to continue their work in improving the environment. Conservation programs must be funded sufficiently to provide this assistance.
 - D. Primarily and fundamentally, farm bill must be preserved for benefit to farmers and consumers.
- V. Closing remarks:
- A. Express appreciation to House agriculture committee for work on agricultural issues.
 - B. Acknowledge lack of public understanding. Void has been filled by those who seek to eliminate or drastically cut back on agriculture. NAWG is working to remedy this and make certain that the value of agriculture is understood and appreciated.

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1. I would keep the time spent on category 1 (the partnership) light. Emphasize that its a partnership with benefits flowing both ways, but not dwell on the types of programs (trade, research, etc.), as the Members already know this. Do point out the savings compared to the budget, the share of the federal budget, and the share of the farm bill that goes to feeding hungry people and students. The Farm Bill also helps agriculture make a positive contribution to the nation's trade balance, which just hit a new record deficit.
2. Topics (B) and (D) both deal with security, and can be combined. In addition to renewable fuels, research also provides ways to improve product quality and the environmental stewardship of the production systems.

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STATEMENT OF MARK GAGE

BEFORE THE
HOUSE SUBCOMMITTEE ON GENERAL FARM COMMODITIES AND RISK
MANAGEMENT

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE

MY NAME IS MARK GAGE. I AM A NORTH DAKOTA PRODUCER OF WHEAT AND
BARLEY, THE PRESIDENT OF THE NATIONAL ASSOCIATION OF WHEAT
GROWERS

I AM PLEASED TO HAVE THE OPPORTUNITY TO TESTIFY BEFORE THE
COMMITTEE TODAY PRESENTING TESTIMONY ON BEHALF OF THE NATIONAL
ASSOCIATION OF WHEAT GROWERS.

I ASK THE COMMITTEE'S PERMISSION TO MAKE MY WRITTEN STATEMENT
PART OF THE RECORD.

We appreciate this opportunity to present our views and we will be pleased to respond
to questions at the appropriate time.

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The Farm Security and Rural Investment Act of 2002, which is entering its third year, is
generally functioning as you, the United States Congress, intended. Although the level
of funding has not been sufficient to prevent some family farmers from business failure,
the Commodity Title mechanisms of farm support have operated as expected. Nutrition,

Rural Development, Trade, and Research programs are fulfilling their intended roles, contributing to a stable society.

Our wheat industry has used only a portion of its budgeted Commodity Program funds due to market price averages above the support levels. Our farmers are pleased with this alternative to countercyclical and LDP supports, but rely on this underlying safety net which allows for the long-term planning needed in agriculture.

Shortly after this Farm Bill was signed into law, the House Agriculture Committee issued a short report outlining some facts and figures related to US farm policy. That report noted the cost of food in this country to be just 10.9 cents of our citizens' dollar. While this is a lower cost than any other country worldwide, the important aspect is that this is a result of a stable farm economy.

We have all heard the oft-repeated perception that farm subsidies are too expensive. But are they expensive, or are they just an excellent investment for our taxpayers? Using again the 2002 figures, farmer subsidies add only one tenth of one cent to the 10.9 cent food cost I mentioned earlier. We believe the consumer recoups this investment easily with the low cost food supply made possible through farm supports. All the other benefits of a healthy rural society are an added bonus for the security and well-being of the United States.